

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
W. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA
JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana
Jointly Owned Gas Line Operation and Maintenance
Towns of Newellton and St. Joseph, Louisiana

We have audited the accompanying general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of and for the year ended June 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of June 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated September 10, 1996 on our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control structure and on its compliance with laws and regulations.

Ferriday, Louisiana
September 10, 1996

Switzer, Hopkins & Mange

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

BALANCE SHEET
JUNE 30, 1996

ASSETS

Current assets:

Cash	\$ 137,888
Certificates of deposit	57,439
Accounts receivable, trade (Note 2)	21,739
Interest receivable	682
Total assets	<u>217,748</u>

LIABILITIES AND TOWNS' EQUITY

Current liabilities:

Accounts payable	55,119
Customers' meter deposits	165
Total liabilities	<u>55,284</u>

Towns' equity:

Retained earnings	162,464
Total towns' equity	<u>162,464</u>

Total liabilities and towns' equity	<u>\$ 217,748</u>
-------------------------------------	-------------------

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 1996

Revenues:	
Sale of gas	\$ <u>282,725</u>
Cost of gas sold	<u>254,509</u>
Gross profit from operations	<u>28,216</u>
Operating expenses:	
Manager's fee	7,400
Repairs and maintenance	5,315
Rebates to towns	15,000
Legal and audit	1,200
Office supplies and postage	276
Telephone	420
Leak survey	1,090
Drug testing	202
Other expenses	562
Total operating expenses	<u>31,465</u>
Net operating (loss)	(3,249)
Other income:	
Interest income	<u>6,107</u>
Excess of revenues over expenses	2,858
Towns' equity at beginning of year	<u>159,606</u>
Towns' equity at end of year	<u>\$ 162,464</u>

The accompanying notes are an integral part of this statement.

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN J. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana
Jointly Owned Gas Line Operation and Maintenance
Towns of Newellton and St. Joseph, Louisiana

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Ferriday, Louisiana
September 10, 1996

Switzer, Hopkins & Mange

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana
Jointly Owned Gas Line Operation and Maintenance
Page Two

In planning and performing our audit of the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

1. We noted that the Towns do not have adequate segregations of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the use of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana
September 10, 1996

Switzer, Hopkins & Marge

SWITZER, HOPKINS & MANGE
Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana
Jointly Owned Gas Line Operation and Maintenance
Towns of Newellton and St. Joseph, Louisiana

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, for the year ended June 30, 1996 and have issued our report thereon dated September 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1996

NOTE 4 - CASH AND CASH EQUIVALENTS-CONTINUED

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1996 are secured as follows:

Federal deposit insurance	<u>\$ 195,326</u>
---------------------------	-------------------

NOTE 5 - RELATED PARTY TRANSACTIONS

The Towns of Newellton and St. Joseph, Louisiana own the joint gas line and are the major purchaser of gas. Their respective amounts of gas purchased are as follows:

Newellton	\$ 155,945
St. Joseph	<u>100,241</u>
	<u>\$ 256,186</u>

The Towns of Newellton and St. Joseph are each billed at the same rates and these rates are the same as the other customers of the joint line.

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

Cash flows from operating activities:	
Cash received from customers	\$ 277,432
Cash payments to suppliers for goods and services	(235,897)
Cash payments to manager for services	<u>(7,400)</u>
Net cash provided by operating activities	<u>34,135</u>
Cash flows from non-capital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Investment income	<u>6,154</u>
Net (increase) in cash and cash equivalents	40,289
Cash and cash equivalents at July 1, 1995	<u>155,038</u>
Cash and cash equivalents at June 30, 1996	<u>\$ 195,327</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	\$ (3,249)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) in accounts receivable	(5,293)
Decrease in accounts payable	<u>42,677</u>
Net cash provided by operating activities	<u>\$ 34,135</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jointly Owned Gas Line Operation and Maintenance Fund was established in October of 1954 for the purpose of providing natural gas from the Lake St. John gas field to the Towns of Newellton and St. Joseph, Louisiana. The transmission assets have been fully depreciated.

Basis of Accounting

The Jointly Owned Gas Line Operation and Maintenance Fund uses the accrual basis of accounting.

NOTE 2 - ACCOUNTS RECEIVABLE

The trade accounts receivable at June 30, 1996 are summarized below:

Towns of Newellton and St. Joseph, Louisiana	\$ 21,282
Other customers	457
Total accounts receivable	\$ 21,739

NOTE 3 - ACCOUNTS PAYABLE

The accounts payable at June 30, 1996 are summarized below:

Pennzoil Petroleum	\$ 55,119
--------------------	-----------

NOTE 4 - CASH AND CASH EQUIVALENTS

Under state law, the gas line may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 1996, the gas line had cash and cash equivalents according to the bank's balances totaling \$195,326 as follows:

Demand deposits	\$ 137,887
Time deposits	57,439
Total	\$ 195,326

5779

RECEIVED
LEGISLATIVE AUDITOR

26 SEP 24 AM 8:57

**OFFICIAL
FILE COPY**

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA**

**JOINTLY OWNED GAS LINE
OPERATION AND MAINTENANCE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 1996**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: OCT 02 1996

TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA

JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
General Purpose Financial Statements:	
Balance Sheet	2
Statement of Income and Towns' Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-6
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	7-8
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9